

Midwestern University: Leadership Under Pressure

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“Not a damn dime! I will never give to Midwestern University again!” That seemed to be the sentiment of alumni who were posting comments to the University Foundation website. In private conversations with potential donors, many wanted to know why the faculty voted to unionize. On top of the economic downturn, the state was also experiencing political upheaval. Protests in the capital fueled the collective bargaining fire. Bill Davidson, Vice Chancellor and Executive Director of the Midwestern University Foundation, was concerned. Because of dwindling state support, Midwestern University increasingly relied on donors for student scholarships.

Bill Davidson

Being the leader of a university foundation was an unintended career path. Originally Bill planned on being a faculty member and looked forward to teaching and conducting research. He achieved his Ph.D. in German. At the time of his graduation there were few faculty openings requiring this skill set. He took a temporary assignment with a private university raising funds for student scholarships. He loved the challenge of identifying prospective donors, establishing rapport, building a relationship, and connecting a donor with a student or university project in need.

A key influence during this time was his boss, Mike. A “type A, extrovert, who was very aggressive”, Mike had integrity and credibility both on campus and among shareholders in the university community. He was a thoughtful administrator and recognized strengths in his team. Mike gave Bill responsibilities that stretched his knowledge and Bill accepted the challenge. He surpassed expectations, securing major donations and easily adopted Foundation work as his new career path. Similarly, Bill learned from others how not to do some things. He worked for some administrators whose ego prevented them from admitting they were wrong. There were inherent problems with this level of egotism that created issues for foundations Bill worked for.

Bill’s motto in life was to ‘be more than you seem’. He worked diligently and felt others should receive credit. He described his 85/15 philosophy as putting in 85% of the effort in receipt of 15% of the credit so that others could receive 85% of the credit.

As one of the three Vice Chancellors at Midwestern University (MU), Bill Davidson directed the Foundation. This was his second term at the Foundation. Earlier, in 1981, he also served as Director. He then worked for a private university for twelve years as their Foundation Director

and one year as interim university President. From there, Bill worked at a small public university in Minnesota, directing their Foundation, for four years before returning to MU in late 2007 as Vice Chancellor of University Advancement (Foundation Director) and Marketing.

His job responsibilities at MU included: supervision of the marketing function at MU in addition to serving on several committees such as the: Chancellor's Advisory Council, Chancellor's Cabinet, Strategic Planning Group, Memorials and Honors Committee, and Executive Committee to the Foundation Board of Directors. Among all these responsibilities, Bill considered major gift prospecting as the most value added. He liked linking people with money to the interest and needs of campus. "If I can do that, then I've made a difference," Bill had said. He described his leadership style in this way, "treat people with respect and listen to them...really it's just common sense things."

When he arrived back at MU in 2007 he inherited a group of 12 employees. Consistent with his philosophy of treating people with respect, he conducted an inventory of this group in order to understand who they were; he identified their talents and wondered how he might further develop their skills. He earmarked professional development for major gift fundraising for staff that needed it most.

Bill led by example, as he said, "putting in the hours and being there". He kept track of life events happening with his staff and would often follow up with them about recent travels, babies, etc. Additionally, a frequent occurrence that drew donors to campus was the fall football games. Despite his dislike for football, Bill showed up for the games to rub elbows with the donors.

Regular communication with his group of employees was important. Bill met every other week for a check-in and update. Given the economic downturn (resulting in a 34% drop in the Foundation's endowment), the question that led these meetings was "How do we save money and keep moving forward?" He encouraged the most reticent of his team to speak up; he truly wanted to know what was on their minds. As a result, people felt included and understood their opinions counted. Discussions were honest and trust was very high. Staff members were loyal to Bill and the overall vision of MU. They understood the importance of their work and how that benefitted students and staff at the university.

Bill acknowledged good work on the part of his staff. He nominated people for university awards such as the 'classified employee of the month'. People appreciated being nominated. When they received the award, the Chancellor would present them with a plaque and publically congratulate them for their efforts. Bill understood the importance of this public recognition.

In addition to team camaraderie, there was tremendous pride in the Foundation building, the oldest on campus. From the custodian to the executive director, they liked to show off their building to visitors. The Harding House, built in 1888, was located in the middle of downtown. The sandstone was recently refurbished reflecting the importance and beauty of locally mined material. Behind the building was the town lake, a hub of activity year round. The Harding House has three stories including a full basement where annual alumni phone-a-thons were conducted. The large and expansive windows framed beautifully appointed rooms with custom woodwork that had been restored to its previous luster. It was the signature building on the MU campus.

Midwestern University

Midwestern University (MU) was a comprehensive, career-focused public university where students used applied learning and research to solve real-world problems, to grow the state's economy and to serve society. MU enrolled 10,000 students. The student to faculty ratio was 20:1 with an average class size of 25. With over 40 undergraduate majors and 20 graduate majors, they were the envy of sister comprehensive campuses with more than 90% employment for graduates for over 27 consecutive years. Located in rural Midwest, graduates had managed to secure jobs in their majors despite the downturn in the economy.

The 2010-2011 MU annual budget was \$188 million which was 3.4 per cent of the state system's university budget. Estimated in-state tuition for an undergraduate was \$8,000 and approximately \$15,000 for non-resident students. State appropriations for all public Midwest universities had been declining for the past 20 years. In 1988 state support averaged 34% of the state budget university allocation. In 2011, it hovered around 16 per cent. Anticipating future decline in state support, the need for additional funding sources was paramount for MU. Increasingly students relied on scholarships generated by donors to the MU Foundation.

MU was structurally organized into three major units: University Advancement and Marketing, Academic and Student Affairs, and Administrative and Student Life Services. Each of these units was led by a Vice Chancellor with a direct reporting line to the Chancellor. The office of Advancement was comprised of the Alumni Association and the Foundation. These two units worked to advance the mission of MU through building relationships with alumni and friends of the University. More specifically, the mission of the Foundation was to cultivate relationships between MU and its constituencies for their mutual benefit through acquisition and stewardship of resources. The Foundation had a Board of Directors that Bill reported to. In essence Bill had reporting relationships to two entities; the Chancellor of MU and the Foundation board.

The State of Midwest

In 2009, Midwest had passed legislation enabling faculty at public MU campuses to engage in collective bargaining. In December 2010, faculty at MU submitted the required number of authorization cards to initiate an election. Spurred by the protests and Governor Jackson's proposed budget recommendations, on March 9, 2011, faculty at MU voted (291-31) in favor of a union.

The year, 2011 brought publicity to the State of Midwest. In February, the beloved, national football team won the Super Bowl. Pride was palpable in all corners of the state. To a person, residents stood proudly wearing the team colors of green and yellow in support of the team. "Go Team Go" was heard everywhere, a unifying mantra.

The political landscape also changed. With three million votes cast supporting gubernatorial candidate Wade Jackson, citizens seemed prepared to usher in new leadership. Jackson made campaign promises to get Midwest back on track by reducing the deficit and becoming more business friendly. Yet, by mid-February 2011, Midwest's state capitol became protest central as thousands protested in reaction to Jackson's budget recommendations. Response to his proposed collective bargaining rights legislation was contentious. In March, (shortly after the vote at MU)

Senate Republicans voted in favor of curtailing collective bargaining rights of all public employee unions.

In addition, the governor's budget recommendations included an increase in public employee contributions to pension and health insurance. Employees were required to pay fifty percent of the total required retirement contribution, which for calendar year 2011 equaled 5.8 percent of salary. Prior to 2011 employee contributions were 5 percent of salary. The governor further recommended increasing employee contributions for health insurance from approximately six percent of the premium to 12.6 percent of the premium (\$48 – 155/pay period). These modifications were necessary to bring state employee compensation in line with private sector employment and reduce compensation costs, which projected savings of over \$24 million.

The governor also proposed tuition authority to allow for a 5.5 percent tuition increase each academic year. On the list of budget items not approved was restoration of the two percent pay plan increase (instituted in 2009) saving the state over nine million dollars. According to various analyses, added contributions for pension, health care, plus furlough days equated to an 8 percent cut in pay.

The Foundation had 12 employees some of whom were employed full time and others part time. Funds generated from the Foundation provided scholarships, grants, faculty development, research resources, professorships, endowed chairs for the university as well as operating costs for the Foundation (salary, benefits, building maintenance, etc.).

Presently, Bill worried that the current political upheaval with an eight percent reduction in pay would cause additional staff at the Foundation to leave. Coupled with a precipitous drop of 34% in the overall endowment, attrition was a looming concern.

The Foundation

The majority of universities Foundations exist to secure private donations. In public universities, there was increased pressure from senior administration to increase those dollars as state support declined. In general, people were more likely to give than corporations were. Seventy five percent of large dollar donations, commonly referred to as "big gifts," were made by individuals. Working with donors and prospects was the most effective fund raising strategy of a Foundation office.

Three stages of fund raising guided the efforts of the staff of MU Foundation, the stages are: interest, involvement, and investment. Interest refers to the identification of prospective donors who have a clear capacity to give. Each gift officer at MU was expected to have fifteen contacts per month which yielded seven to eight face-to-face contacts with potential donors.

Once contact had been made and interest was expressed, Foundation officers secured donor involvement by asking questions. Based upon the response, Foundation officers worked to grow the donor's vision ultimately securing a gift (investment). People gave in a variety of ways such as loyalty gifts or gifts made out of interest in a program major. Recently, MU received two multi-million dollar endowments funding an Ethics Center and a Research Discovery Center.

Finally, connecting donors with students who received scholarships was important as it ensured future giving. Events such as scholarship award dinners were important to both givers and recipients.

The Foundation was no stranger to challenges. In addition to the political upheaval caused with newly elected Governor Jackson, fiscal year 2009 saw endowments shrink from \$32 million to \$21 million, a 34% decline. As a result of this decline, the Foundation had to ask donors for additional monies to replenish donations that were funding scholarships. Most donors were understanding and generous in adding to the scholarship funds. Other donors were angry to hear their endowment had lost value.

Foundation staff worked tirelessly to continue the scholarship program for students during this difficult time. Because the endowment declined, scholarship awards dropped precipitously. This impacted students' ability to afford tuition and resulted in many dropping out.

To deal with the endowment decline, a number of steps were taken:

- Spending cuts. Staff members that left were not replaced and work was given to other staff. The number of alumni events was reduced and staff members were not permitted to attend conferences that incurred costs. Travel requiring airplanes was halted, and printed issues of the Foundation Update were cut in half. Rather than replacing worn equipment, it was repaired. Last, subscriptions to some periodicals, such as *Currents*, were stopped.
- Donors (including Foundation members) were asked to designate their gifts as unrestricted providing flexibility with some funds.
- A larger portion of funds were raised through the annual phonathon.
- The board authorized a reduction that would be paid out for annual scholarships. This preserved the principal in the endowments, even though it meant a lower scholarship award amount.
- All Foundation Board members were required to make a gift.

Given the recent political upheaval caused by Governor Jackson's actions (increased public employee contributions to health insurance and pension, increased tuition, and limited bargaining rights of public employee unions) alumni were in touch more frequently, via social media sites such as Facebook, and they were either happy or angry. Quarterly reports showed a decline in giving from alumni who were state employees. Teacher education was a large degree program at MU, thus many alumni are employed by Midwest. All educators who were public employees were greatly affected which impacted their ability to give.

Structure. The MU Foundation was a not-for-profit 501c3 corporation officially governed by a volunteer board of 25 directors who were mostly MU graduates. They had legal responsibility for the operation of the unit. Bill served as Director of the Foundation; however he was an ex-officio member without a vote. The board appointed the Director each year. Board members were elected by three year terms which could be renewed indefinitely, however their performance was evaluated by the Membership Committee before such a renewal – it was not automatic.

Prior to Bill's arrival, the culture of the Board was tactical. They perceived their role as managing daily operations. Board members were alumni and reminiscing about college days of

the past was common. They didn't join the Board with the expectation that giving for board members was mandatory. Based upon his previous experiences, Bill knew a culture change needed to occur. Typically one million dollars was easy to raise from boards of other institutions he had worked at. He laid the tracks that implied if you accepted a position as a Board member at MU you were obligated to give. Predictably there was a change of members, many chose to leave. However those new to the Board were giving at a rate unheard of in the past. This spurred giving by those older members who stayed on.

Bill and his staff worked to make all data transparent. They designed a web portal whereby Board members could locate data, audit information, minutes from past meetings and agendas for future meetings. Their goal was to have each member be highly informed.

Staff at the Foundation also looked to their mission and vision to lead their efforts. Established in 2007 at an offsite retreat, these guiding principles were displayed on the walls of their office cubicles.

Following are the mission, vision, and goals that direct efforts of the Foundation.

Mission. The MU Foundation, Inc. cultivates relationships between MU and its various constituencies for their mutual benefit. It supports the mission and goals of MU through the acquisition and stewardship of resources.

Vision. The MU Foundation Board of Directors will promote activities to build a broad base of support for MU.

MU is a dynamic educational institution with a global reputation poised to attain increased visibility for its unique mission.

The development and alumni activities will focus on existing initiatives, pursuing targeted growth opportunities and selectively developing partnerships to leverage financial and human resources. The MU Foundation will foster an enduring standard of excellence in its activities and those of MU.

Goals.

1. Secure private gifts distinct and separate from the state and the institution's resources. Establish priorities for the annual fund, major gifts, gift planning, corporate and foundation relations.
2. Engage donors, prospects and alumni in the institution's vision and steward their investments of time and money.
3. Strengthen the Foundation and MU's public image.
4. Design an office infrastructure to support ongoing fund raising activities.
 - a. Ensure that information systems are in place to improve the quality of data and meet the increasing demand for information by alumni and fund raising staff.
 - b. Maintain a leadership style which empowers staff through active communication and delegation, and ensures staff accountability for excellence through clearly defined and measurable goals.

Bill's Actions

Bill reflected on whether the Foundation had been good or poor at managing under pressure. "I don't know... we survived with careful budgeting and pushing board members to be donors... basically incremental steps." Efforts to engage the board of directors through annual giving and decisions they made created a sense of camaraderie among board members.

Throughout this economic crisis and political upheaval, the Foundation cut expenses, did not replace positions, and reduced travel. Bill was cautious about the budget. Interestingly, the state budget fringe benefit cut of eight percent when calculated across employee salaries, saved the Foundation \$40,000 annually in personnel costs. Recently, the Foundation lost two employees due to unexpected retirements and these positions were not replaced. A double-edged sword, this benefit cut saved the Foundation money yet resulted in staff attrition. Although some leaders might be inclined to consider this savings a helpful mechanism, Bill worried about losing additional staff members. He understood the success of the Foundation was based upon his team. Losing employees was wrought with complications.

Conversations with donors about the current political climate were a daily activity for all Foundation officers. Officers were persistent in their efforts to spin the message that MU was continuing to do great things. In general, alumni were eager to hear what would happen to MU given the climate in the state capitol. Despite the uncertainty, people continued to care about what went on at MU.

The staff was loyal to Bill and willing to provide discretionary effort, going above and beyond expectations during challenging times. At staff meetings they brainstormed ways to make things work. Bill often facilitated conversations with "What if..." Getting staff to talk through scenarios, best and worst case hypothetical situations and answering questions such as: "In the worst case scenario, what do we need to do to stay in business?" "What could happen?" "Where are we vulnerable?" "What is our short-term outlook?" "What is our long-term outlook?" were key to anticipating change. As a team, they worked through each of these questions. People appreciated being asked and were willing to think through these scenarios and cover for each other to get the job done.

Bill's main strategy during these challenging times was to keep talking with alumni and donors in order to establish and, if needed, rebuild relations. His communication efforts with staff were also key. Despite his hard work to keep his team intact, unexpectedly two staff retired and an administrative mandate to lay off additional personnel was apparent. Consequently, he asked his administrative assistant to type the letters that he would give to two staff members who were to be laid off later that day. Upon reading them, she mentioned to Bill that she was intending to retire and would do so earlier in order to save these employees jobs and Bill promised to keep her reasons a secret. She submitted her letter and left that day. Staff members were hurt by her abrupt departure. The two employees never knew their jobs were at risk, they were simply upset that their colleague left without saying goodbye.

In summary, Bill wondered aloud if he had done enough. He valued each team member and continued to believe that donors needed to hear about the great work being done at MU. This message had the potential to raise additional money to assist in furthering the mission of the

Foundation and university. The way forward was one in which his employees were valued and supported.